



MEDIA RELEASE

SENATOR THE HON ROBERT HILL

Minister for Defence

Leader of the Government in the Senate

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ASC CHOSEN TO BUILD AIR WARFARE DESTROYERS

The Federal Government has chosen ASC Shipbuilder Pty Ltd as the preferred shipbuilder for Navy's Air Warfare Destroyers (AWDs) - one of Australia's largest and most complex Defence projects worth up to \$6 billion.

Senator Hill said the Government made the decision after accepting the unanimous recommendation of the Source Selection Board on the basis that ASC Shipbuilders offered a superior bid in terms of value for money.

In addition, the Government has granted first pass approval and provided \$455 million towards the next phase of activities including further design work, workforce skilling, initial infrastructure investment and facilities construction.

Senator Hill said the construction of the Air Warfare Destroyers will be one of the most significant shipbuilding projects undertaken in Australia to date, and will provide enormous opportunities for Australian industry.

"More than 1000 direct jobs will be created in South Australia as part of the build contract," Senator Hill said.

"However, up to 70% of the module construction will be sub-contracted to other shipyards around Australia creating around 1000 additional jobs throughout the country.

"This presents an excellent opportunity for the whole of the Australian shipbuilding industry to become involved in the project and also opens up important flow on benefits for key sub-contractors throughout Australia."

ASC Shipbuilder was chosen through a competitive tender evaluation process that also included Northrop Grumman Ship Systems and Tenix Defence.

The conduct of the evaluation and selection of ASC Shipbuilder was reviewed by the Air Warfare Destroyers Program Probity Advisers KPMG and also independently by Sir Laurence Street, both of whom have confirmed that the process was fair and equitable.

"I would like to thank the State Governments of both South Australia and Victoria for providing offers of support to the bidding companies. Both offers were highly competitive and produced excellent infrastructure investment packages," Senator Hill said.

"I also commend Navy, the Defence Materiel Organisation (DMO) and the highly capable project team which included the independent financial adviser Carnegie Wylie and Company and Mr David Mortimer who acted as an Independent Chairman to the Selection Board."

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The commitment of \$455 million towards the second phase of the project will fund the project until mid 2007 and will further reduce risks to the project in accordance with the recommendations of the Defence Procurement (Kinnaird) Review. In 2007, the Government will consider second pass approval for the project.

Defence is currently evaluating three ship designer proposals from Blohm +Voss, Gibbs & Cox and Navantia (formerly Izar). ASC Shipbuilder is now in a position to assist the Commonwealth to select one of those designers in mid 2005, whose evolved design will be further considered in conjunction with an Australianised version of Spain's existing F100 ship design.

Raytheon Australia has previously been selected as the preferred bidder for Combat System-System Engineer contract in support of the combat system design and maintenance for the Air Warfare Destroyer.

"The AWDs represent a quantum leap in the air warfare capabilities of the Navy," Senator Hill said.

"The vessels, which are to be introduced into service from 2013, will be equipped with the world-class AEGIS Combat System that is capable of detecting and defeating multiple hostile aircraft and missiles at ranges in excess of 150 kilometres.

"The AWDs will also have an anti-submarine and anti-surface warfare capability, as well as the ability to embark a helicopter at sea.

"They will provide significantly increased protection from air attack for troops being transported and deployed on ADF Operations overseas and can provide long-range air warfare defence for a Naval task group. The ship will also be interoperable with the United States and other Coalition partners."

Senator Hill said the construction of the vessels will be a major project for Defence Industry. Accordingly, companies bidding for the AWDs were required to include Australian skills and training programs in their tenders, in line with the Government's *Skilling Australia's Defence Industry* program.